

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name Village of New Era	County Oceana
Fiscal Year End June 30, 2007	Opinion Date November 29, 2007	Date Audit Report Submitted to State November 30, 2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Brickley DeLong PLC		Telephone Number (231) 726-5800	
Street Address 316 Morris Avenue		City Muskegon	State MI
		Zip 49443	
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i> for Brickley DeLong, PLC		Printed Name Timothy D Arter	
		License Number 10253	

Village of New Era  
Oceana County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2007

Village of New Era

**LIST OF VILLAGE OFFICIALS**

June 30, 2007

Village President.....	Don Richards
Clerk.....	Natalie Kelly
Treasurer .....	Sharon Pepple
Village Council .....	Ted Jeffries Jim VanSickle Gary Grinwis Mary Wagner Dan Mulder Don Priese

Village of New Era

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Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

As management of the Village of New Era, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village of New Era for the fiscal year ended June 30, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

**FINANCIAL HIGHLIGHTS**

- During the year the Village began work on converting the sewer building to a Village hall. The Village also converted its old fire barn to house the police department.
- During the year the Village's police cruiser was destroyed in a fire. The Village will be replacing the cruiser in early fiscal year 2008. The difference in the cost of the new cruiser (and equipment) and the insurance proceeds is expected to be about \$11,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village of New Era's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of New Era, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories—governmental funds and proprietary funds.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village of New Era maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and the Local Street Fund, which are considered major funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund and other major funds.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for the Village of New Era. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2007, the Village's net assets from governmental activities totaled \$1,469,692 (69%) and \$649,928 (31%) from business-type activities, creating a total government-wide net assets total of \$2,119,620.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets are \$663,524. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

**Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and						
other assets	\$ 656,681	\$ 600,512	\$ 14,697	\$ 16,576	\$ 671,378	\$ 617,088
Capital assets	820,720	804,704	635,376	654,683	1,456,096	1,459,387
Total assets	1,477,401	1,405,216	650,073	671,259	2,127,474	2,076,475
Current liabilities	7,709	4,786	145	142	7,854	4,928
Net assets						
Invested in capital assets	820,720	804,704	635,376	654,683	1,456,096	1,459,387
Unrestricted	648,972	595,726	14,552	16,434	663,524	612,160
Total net assets	<u>\$ 1,469,692</u>	<u>\$ 1,400,430</u>	<u>\$ 649,928</u>	<u>\$ 671,117</u>	<u>\$ 2,119,620</u>	<u>\$ 2,071,547</u>

**Governmental Activities**

Governmental activities increased by \$69,262 (5%) during the 2007 fiscal year. With all of the Village's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting change in net assets.

- Property taxes stayed the same, the tax rate dropped because of the Headlee Rollback which was offset by an increase in assessed property values

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

**Business-type Activities**

Business-type activities decreased by \$21,189 (3%) during the 2007 fiscal year. The Village's business-type activities are limited to the operations of the sewer system. The net result of the sewer system was that its operating revenues were exceeded by its operating expenditures, producing the resulting change in net assets.

**Change in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 1,463	\$ 1,435	\$ 24,420	\$ 24,105	\$ 25,883	\$ 25,540
Operating grants contributions	68,391	69,488	-	-	68,391	69,488
Capital grants and contributions	600	387,154	-	-	600	387,154
General revenues						
Property taxes	51,723	51,090	-	-	51,723	51,090
Grants and contributions not restricted	38,100	39,269	-	-	38,100	39,269
Unrestricted investment earnings	21,891	19,925	540	402	22,431	20,327
Other	23,094	8,664	-	-	23,094	8,664
Total revenues	205,262	577,025	24,960	24,507	230,222	601,532
Expenses:						
General government	25,347	38,726	-	-	25,347	38,726
Public safety	42,415	34,769	-	-	42,415	34,769
Public works	60,445	17,327	-	-	60,445	17,327
Culture and recreation	7,793	7,770	-	-	7,793	7,770
Sewer	-	-	46,149	42,033	46,149	42,033
Total expenses	136,000	98,592	46,149	42,033	182,149	140,625
Changes in net assets before transfers	69,262	478,433	(21,189)	(17,526)	48,073	460,907
Transfers	-	(83,314)	-	83,314	-	-
Change in net assets	69,262	395,119	(21,189)	65,788	48,073	460,907
Net assets - Beginning	1,400,430	1,005,311	671,117	605,329	2,071,547	1,610,640
Net assets - Ending	\$ 1,469,692	\$ 1,400,430	\$ 649,928	\$ 671,117	\$ 2,119,620	\$ 2,071,547



Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Village of New Era uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village of New Era governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the Village of New Era governmental funds reported a combined unreserved fund balance of \$648,972. This number represents the unreserved fund balance \$423,912 in the General Fund, \$91,146 in the Major Street Fund, and \$133,914 in the Local Street Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Village's discretion. The Village's entire fund balance for all three funds is unreserved as of June 30, 2007.

**Budget Amendments**

During the current fiscal year, the Village made no amendments to its original budget in the General Fund, similarly the Village had no significant changes in the budgets related to the Local or Major Streets.

**Budget Variances**

General Fund

- The Village received monies from insurance proceeds due to the fire that destroyed the police cruiser. This caused the miscellaneous revenue to exceed the budget prepared by the Village.
- Capital outlay was greater than originally budgeted due to the replacement of the equipment in the cruiser mentioned above and the conversion of the fire barn to a police department.
- The Village was able to earn a better return on investments due to increased market interest rates, therefore investment income was larger than budgeted

Major Streets

- Consulting and Capital Outlay was less than budget due to the Village not starting any new street project due to the effort in constructing the new police department and Village hall.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

Local Streets

- The Village incurred extra cost related winter maintenance fees. This is due to the unforeseen increase in rates charged by third parties.
- Capital Outlay was greater than the budgeted due to the higher than expected cost of paving of a municipal parking lot.

**Capital Assets**

The Village of New Era investment in capital assets for its governmental and business-type activities as of June 30, 2007 totaled \$1,456,096 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

During the year the Village's only capital investments were as follows:

- Paving of the municipal parking lot
- Replacement of equipment for the police cruiser
- Conversion of Village fire barn to the police department
- Construction of the village hall.
- Sidewalks along Ray Avenue

**Capital Assets**  
**(Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Construction in progress	\$ 37,286	\$ -	\$ -	\$ -	\$ 37,286	\$ -
Plant and system	-	-	635,376	654,683	635,376	654,683
Infrastructure	776,428	802,192	-	-	776,428	802,192
Buildings and improvements	4,891	-	-	-	4,891	-
Equipment	2,115	2,512	-	-	2,115	2,512
Total	<u>\$ 820,720</u>	<u>\$ 804,704</u>	<u>\$ 635,376</u>	<u>\$ 654,683</u>	<u>\$ 1,456,096</u>	<u>\$ 1,459,387</u>

Additional information on the Village's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

**Long-term Debt.**

The Village had no long-term debt during the fiscal year.

Village of New Era  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2007

**General Economic Overview**

- The Village of New Era has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.
- The Village's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 71% of the General Fund revenue sources. In fiscal 2008, state revenue is expected to continue to remain flat. Property tax revenues will also likely remain constant.
- The Village plans finish the village hall construction project during the next fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of New Era's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of New Era, P.O. 85, New Era, MI 49446, (231) 861-5988.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

November 29, 2007

Village Council  
Village of New Era  
New Era, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of New Era as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of New Era's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of New Era, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 20 - 22 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



Village of New Era  
**STATEMENT OF NET ASSETS**  
June 30, 2007

ASSETS

	Governmental activities	Business-type activities	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 636,071	\$ 11,684	\$ 647,755
Receivables	-	3,013	3,013
Due from other governmental units	<u>20,610</u>	<u>-</u>	<u>20,610</u>
Total current assets	656,681	14,697	671,378
<b>NONCURRENT ASSETS</b>			
Capital assets, net			
Nondepreciable	37,286	-	37,286
Depreciable	<u>783,434</u>	<u>635,376</u>	<u>1,418,810</u>
Total noncurrent assets	<u>820,720</u>	<u>635,376</u>	<u>1,456,096</u>
Total assets	1,477,401	650,073	2,127,474

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	<u>7,709</u>	<u>145</u>	<u>7,854</u>
Total current liabilities	<u>7,709</u>	<u>145</u>	<u>7,854</u>
<b>NET ASSETS</b>			
Invested in capital assets	820,720	635,376	1,456,096
Unrestricted	<u>648,972</u>	<u>14,552</u>	<u>663,524</u>
Total net assets	<u>\$ 1,469,692</u>	<u>\$ 649,928</u>	<u>\$ 2,119,620</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 25,347	\$ 1,463	\$ -	\$ -	\$ (23,884)	\$ -	\$ (23,884)
Public safety	42,415	-	-	-	(42,415)	-	(42,415)
Public works	60,445	-	68,391	600	8,546	-	8,546
Culture and recreation	7,793	-	-	-	(7,793)	-	(7,793)
Total governmental activities	136,000	1,463	68,391	600	(65,546)	-	(65,546)
Business-type activities							
Sewer	46,150	24,421	-	-	-	(21,729)	(21,729)
Total government	<u>\$ 182,150</u>	<u>\$ 25,884</u>	<u>\$ 68,391</u>	<u>\$ 600</u>	(65,546)	(21,729)	(87,275)
General revenues							
Property taxes, levied for general purposes					51,723	-	51,723
Grants and contributions not restricted to specific purposes					38,100	-	38,100
Unrestricted investment earnings					21,891	540	22,431
Miscellaneous					23,094	-	23,094
Total general revenues					<u>134,808</u>	<u>540</u>	<u>135,348</u>
Change in net assets					69,262	(21,189)	48,073
Net assets at July 1, 2006					<u>1,400,430</u>	<u>671,117</u>	<u>2,071,547</u>
Net assets at June 30, 2007					<u>\$ 1,469,692</u>	<u>\$ 649,928</u>	<u>\$ 2,119,620</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2007

	General Fund	Major Street Fund	Local Street Fund	Total governmental funds
<b>ASSETS</b>				
Cash and investments	\$ 419,260	\$ 80,603	\$ 136,208	\$ 636,071
Due from other governmental units	12,361	6,369	1,880	20,610
Due from other funds	-	4,174	-	4,174
Total assets	<u>\$ 431,621</u>	<u>\$ 91,146</u>	<u>\$ 138,088</u>	<u>\$ 660,855</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 7,709	\$ -	\$ -	\$ 7,709
Due to other funds	-	-	4,174	4,174
Total liabilities	7,709	-	4,174	11,883
Fund balances				
Unreserved				
General Fund	423,912	-	-	423,912
Special revenue funds	-	91,146	133,914	225,060
Total fund balances	<u>423,912</u>	<u>91,146</u>	<u>133,914</u>	<u>648,972</u>
Total liabilities and fund balances	<u>\$ 431,621</u>	<u>\$ 91,146</u>	<u>\$ 138,088</u>	<u>\$ 660,855</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2007

Total fund balance—governmental funds	\$	648,972
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets	\$	897,710	
Accumulated depreciation		<u>(76,990)</u>	<u>820,720</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,469,692</u></u>
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The accompanying notes are an integral part of this statement.



Village of New Era  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended June 30, 2007

	General Fund	Major Street Fund	Local Street Fund	Total governmental funds
<b>REVENUES</b>				
Property taxes	\$ 51,723	\$ -	\$ -	\$ 51,723
Intergovernmental revenues - State	38,100	57,543	11,448	107,091
Charges for services	150	-	-	150
Fines and forfeitures	1,313	-	-	1,313
Investment earnings	10,866	6,353	4,672	21,891
Other	23,094	-	-	23,094
	<u>125,246</u>	<u>63,896</u>	<u>16,120</u>	<u>205,262</u>
Total revenues				
<b>EXPENDITURES</b>				
Current				
General government	17,335	-	-	17,335
Public safety	42,415	-	-	42,415
Public works	-	16,417	7,881	24,298
Culture and recreation	7,793	-	-	7,793
Other governmental functions	12,903	-	-	12,903
Capital outlay	37,286	-	9,985	47,271
	<u>117,732</u>	<u>16,417</u>	<u>17,866</u>	<u>152,015</u>
Total expenditures				
Excess of revenues over (under) expenditures	7,514	47,479	(1,746)	53,247
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	11,262	-	-	11,262
Transfer out	-	(11,262)	-	(11,262)
	<u>11,262</u>	<u>(11,262)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	18,776	36,217	(1,746)	53,247
Fund balances at July 1, 2006	405,136	54,929	135,660	595,725
Fund balances at June 30, 2007	<u>\$ 423,912</u>	<u>\$ 91,146</u>	<u>\$ 133,914</u>	<u>\$ 648,972</u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2007

Net change in fund balances—total governmental funds	\$	53,247
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense

\$ (41,259)

Capital outlay

57,274

16,015

Change in net assets of governmental activities

\$ 69,262

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF NET ASSETS**  
Sewer Fund  
June 30, 2007

ASSETS

CURRENT ASSETS

Cash and investments	\$ 11,684
Accounts receivable	<u>3,013</u>
Total current assets	14,697

NONCURRENT ASSETS

Capital assets, net	
Depreciable	<u>635,376</u>
Total noncurrent assets	<u>635,376</u>
Total assets	650,073

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	<u>145</u>
Total liabilities	145

NET ASSETS

Invested in capital assets	635,376
Unrestricted	<u>14,552</u>
Total net assets	<u><u>\$ 649,928</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Sewer Fund  
 For the year ended June 30, 2007

REVENUES	
Charges for services	\$ 24,421
OPERATING EXPENSES	
Administration	224
Operations	26,619
Depreciation	<u>19,307</u>
Total operating expenses	<u>46,150</u>
Operating loss	(21,729)
NONOPERATING REVENUES	
Investment earnings	<u>540</u>
Total nonoperating revenues	<u>540</u>
Change in net assets	(21,189)
Net assets at July 1, 2006	<u>671,117</u>
Net assets at June 30, 2007	<u><u>\$ 649,928</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**STATEMENT OF CASH FLOWS**  
 Sewer Fund  
 For the year ended June 30, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 23,668
Payments to suppliers	<u>(26,840)</u>
Net cash used for operating activities	(3,172)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>539</u>
Net decrease in cash and investments	(2,633)
Cash and investments at July 1, 2006	<u>14,317</u>
Cash and investments at June 30, 2007	<u><u>\$ 11,684</u></u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>	
Operating loss	\$ (21,729)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation expense	19,307
Change in assets and liabilities	
Receivables, net	(747)
Accounts payable	<u>(3)</u>
Net cash used by operating activities	<u><u>\$ (3,172)</u></u>

The accompanying notes are an integral part of this statement.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of New Era (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

***Reporting Entity***

The Village of New Era (Village) is a municipal corporation governed by an elected seven-member Village Council. Generally accepted accounting principles require that if the Village has certain oversight responsibilities over other organizations, those organizations should be included in the Village's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and Local Street Fund account for money distributed by the State of Michigan for construction and maintenance of streets within the Village.

The Village reports on the following proprietary fund:

The Sewer Fund operates the Village's sewage system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity.

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Village to the County for collection. The County advances the Village all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Village totaled approximately \$11,400,000. The ad valorem taxes levied consisted of 5.035 mills for the Village's operating purposes. These amounts are recognized in the General Fund.



Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include only items acquired since July 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	10-35 years
Office furniture and equipment	5-10 years
Vehicles and equipment	5-10 years
Infrastructure	10-50 years

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of May, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
- c. Not later than the first Monday in June, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Village Council. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level. The Village Council made several supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

During the year ended June 30, 2007, actual expenditures exceeded appropriations for capital outlay by \$30,866 in the General Fund. These overexpenditures were funded with the excess revenues for the year. In the Local Street Fund, actual expenditures exceeded appropriations for winter maintenance by \$3,843 and capital outlay by \$2,985. These overexpenditures were funded with a combination of excess revenues and available fund balance for the year.

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2007, \$347,755 of the Village's bank balance of \$647,755 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Village is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ -	\$ 37,286	\$ -	\$ 37,286
Total capital assets, not being depreciated	-	37,286	-	37,286
<b>Capital assets, being depreciated:</b>				
Infrastructure	804,159	15,098	-	819,257
Buildings and improvements	3,500	4,891	-	8,391
Equipment	47,776	-	15,000	32,776
Total capital assets, being depreciated	855,435	19,989	15,000	860,424

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE D—CAPITAL ASSETS—Continued**

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Infrastructure	\$ 1,967	\$ 40,862	\$ -	\$ 42,829
Buildings and improvements	3,500	-	-	3,500
Equipment	<u>45,264</u>	<u>397</u>	<u>15,000</u>	<u>30,661</u>
Total accumulated depreciation	<u>50,731</u>	<u>41,259</u>	<u>15,000</u>	<u>76,990</u>
 Total capital assets, being depreciated, net	 <u>804,704</u>	 <u>(21,270)</u>	 <u>-</u>	 <u>783,434</u>
 Capital assets, net	 <u><u>\$ 804,704</u></u>	 <u><u>\$ 16,016</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 820,720</u></u>
 <b>Business-type activities</b>				
<b>Capital assets, being depreciated:</b>				
Plant and systems	\$ 965,360	\$ -	\$ -	\$ 965,360
Equipment	<u>1,896</u>	<u>-</u>	<u>-</u>	<u>1,896</u>
Total capital assets, being depreciated	967,256	-	-	967,256
<b>Less accumulated depreciation:</b>				
Plant and systems	310,677	19,307	-	329,984
Equipment	<u>1,896</u>	<u>-</u>	<u>-</u>	<u>1,896</u>
Total accumulated depreciation	<u>312,573</u>	<u>19,307</u>	<u>-</u>	<u>331,880</u>
Capital assets, net	<u><u>\$ 654,683</u></u>	<u><u>\$ (19,307)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 635,376</u></u>

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

    Public works \$ 41,259

**Business-type activities:**

    Sewer \$ 19,307

Village of New Era  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2007

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2007 is as follows:

**Due to/from other funds:**

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Major Street Fund	Local Street Fund	\$ <u>4,174</u>

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund transfers:**

The Major Street Fund transferred \$11,262 to the General Fund upon completion of the First Street project.

**NOTE F—OTHER INFORMATION**

**Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

**NOTE G—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 30 percent of General Fund revenues.

**NOTE H—CONSTRUCTION COMMITMENT**

The total renovation to complete the Village Hall is expected to be approximately \$40,000. As of June 30, 2007, the Village had disbursed about \$28,000. This leaves another \$12,000 to be spent in fiscal year 2008 on the Village Hall.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Village of New Era  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended June 30, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 48,000	\$ 48,000	\$ 51,723	\$ 3,723
Intergovernmental revenues - State	35,000	35,000	38,100	3,100
Charges for services	1,200	1,200	150	(1,050)
Fines and forfeitures	4,000	4,000	1,313	(2,687)
Investment earnings	6,000	6,000	10,866	4,866
Other	1,500	1,500	23,094	21,594
Total revenues	95,700	95,700	125,246	29,546
<b>EXPENDITURES</b>				
Current				
General government				
Board	6,000	6,000	5,611	389
Clerk	5,050	5,050	5,450	(400)
Treasurer	4,250	4,250	4,016	234
Township hall	1,950	1,950	2,258	(308)
Public safety	47,180	47,180	42,415	4,765
Culture and recreation	6,250	6,250	7,793	(1,543)
Other governmental functions	18,600	18,600	12,903	5,697
Capital outlay	6,420	6,420	37,286	(30,866)
Total expenditures	95,700	95,700	117,732	(22,032)
Excess of revenues over (under) expenditures	-	-	7,514	7,514
<b>OTHER FINANCING SOURCES</b>				
Transfer in	-	-	11,262	11,262
Net change in fund balances	\$ -	\$ -	18,776	\$ 18,776
Fund balance at July 1, 2006			405,136	
Fund balance at June 30, 2007			\$ 423,912	

Village of New Era  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Major Street Fund  
For the year ended June 30, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues - State	\$ 50,000	\$ 50,000	\$ 57,543	\$ 7,543
Investment earnings	7,500	7,500	6,353	(1,147)
Total revenues	57,500	57,500	63,896	6,396
EXPENDITURES				
Current				
Public works				
Routine maintenance	5,000	5,000	1,655	3,345
Traffic services	-	-	428	(428)
Winter maintenance	10,000	10,000	9,283	717
Bookkeeping	125	125	126	(1)
Consulting	4,175	4,175	218	3,957
Tree work	3,000	3,000	1,320	1,680
Miscellaneous items	200	200	1,100	(900)
Capital outlay	35,000	35,000	2,287	32,713
Total expenditures	57,500	57,500	16,417	41,083
Excess of revenue over expenditures	-	-	47,479	47,479
OTHER FINANCING USES				
Transfer out	-	-	(11,262)	(11,262)
Net change in fund balances	\$ -	\$ -	36,217	\$ 36,217
Fund balance at July 1, 2006			54,929	
Fund balance at June 30, 2007			\$ 91,146	



Village of New Era  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Local Street Fund  
For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues - State	\$ 9,000	\$ 9,000	\$ 11,448	\$ 2,448
Investment earnings	3,000	3,000	4,672	1,672
Total revenues	12,000	12,000	16,120	4,120
EXPENDITURES				
Current				
Public works				
Routine maintenance	1,000	1,000	51	949
Traffic services	-	-	281	(281)
Winter maintenance	2,500	2,500	6,343	(3,843)
Bookkeeping	125	125	125	-
Consulting	875	875	218	657
Miscellaneous items	500	500	863	(363)
Capital outlay	7,000	7,000	9,985	(2,985)
Total expenditures	12,000	12,000	17,866	(5,866)
Net change in fund balances	\$ -	\$ -	(1,746)	\$ (1,746)
Fund balance at July 1, 2006			135,660	
Fund balance at June 30, 2007			\$ 133,914	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2007

Village Council  
Village of New Era  
New Era, Michigan

In planning and performing our audit of the governmental activities, business-type activities and each major fund of the Village of New Era as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of New Era's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of New Era's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Village Council, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

## SIGNIFICANT DEFICIENCIES

### *General*

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Village should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: The Village should consider changing to the modified accrual basis of accounting.

Monthly financial statements and annual audited financial statements are prepared on the cash basis of accounting. Under this method, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the results of operations are difficult, if not impossible, to analyze because revenues and related expenses may not be recorded in the same fiscal period; and the financial position of the Village is not readily determinable because accounts receivable, accounts payable, and accrued liabilities are not recorded.

The conversion to the modified accrual basis of accounting would facilitate the analysis of the Village's financial position and results of operations.

Recommendation 3: Internal monthly financial statements should include a balance sheet.

During our testing, we noted that the financial statements beginning equity did not necessarily tie to the prior year's ending equity. In addition, we noted that monthly balance sheets are not being prepared as part of the monthly financial reports. A balance sheet reports an organization's financial position as of a point in time by providing a summary of assets, liabilities, and fund equity.

The preparation of monthly balance sheets would help ensure that equity accounts would be properly recorded.

Recommendation 4: Fixed assets should be charged to the proper capital outlay account.

While reviewing cash disbursements for reasonable account distribution, we noted that fixed assets were recorded in multiple expense accounts rather than capital outlay accounts. This caused the reconciliation to full accrual financial statements to take longer than necessary. In addition it causes monthly budget comparisons to be inaccurate.

The proper recording of fixed asset expenditures in capital outlay accounts would improve the accuracy of interim financial statements and help expedite the preparation of the formal financial statements.